

Latest Republican Privatization Plan Offers More of the Same Weakens Social Security and Raids the Trust Fund

Republicans have unveiled what they say is a new approach to Social Security. But it really is no different from other privatization proposals. It would take a portion of Social Security Trust Fund revenues and put them into private accounts.

That is privatization. It doesn't matter if the accounts get each year's Social Security surplus or a percentage of payroll taxes. What matters is that the money is taken from Social Security.

Unmasks GOP Agenda – Privatization Only. The proposal would create private accounts, financed by diverting money out of Social Security. It includes no provisions to strengthen Social Security. This unmasks the true GOP goal: privatization only, with no pretense of protecting Social Security for future retirees.

Still Raids Social Security Trust Fund. Republicans claim the plan is a new “lockbox” that prevents the use of Social Security funds for other programs. That is flat out wrong. The plan does not put Social Security's surplus cash into private accounts. It puts Treasury Bonds into the accounts, while the government continues to spend the cash on other programs.

When asked how the government would fund the programs now being funded by Social Security money, Social Security Subcommittee Chairman McCrery responded that “the cash can still be used the way it is now.” In other words, Social Security taxes will still pay for other programs.

Weakens Social Security. The new plan actually harms Social Security by taking money away from the Trust Fund. Every “surplus” dollar put into the trust fund is already earmarked to pay future benefits. There is no way to divert those dollars to private accounts – as they say they are doing – without weakening Social Security. Shell-game gimmicks are used to cover up the damage.

Still Has Benefit Cuts. By taking money away from Social Security, the plan would force deeper benefit cuts in the future for everyone. And, just like the Bush plan, it includes a privatization tax that would cut benefits even more for people who open an account.

Relies on Gimmicks. The plan relies on Social Security's temporary annual surpluses to fund private accounts, surpluses that disappear in about a decade. Just like the tax cuts, Republicans want a permanent change but make it temporary to hide its full costs, and pass the bill to a future Congress and future generations. In the meantime, they use gimmicks like “magic asterisk” cash transfers and increased borrowing to fill any shortfalls on paper.

Nothing New. The “new” GOP plan would create private accounts much like the President's accounts. It would pay for them by diverting money now dedicated to Social Security, just like the President. And it would force Social Security benefit cuts, just like the President.